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FEA-02 SCI-06 /206 R

DRAFTED BY INR/REA:DTJONES

APPROVED BY EA/K:DLRANARD

EA/PRCM - DLFIELD (DRAFT)

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R 012336Z MAR 74

FM SECSTATE WASHDC

TO USLO PEKING

INFO AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 041983

E.O. 11652: GDS

TAGS: ECON, PINR, KN

SUBJECT: TRAVELERS TO NORTH KOREA

REF: PEKING 314

1. AS USLO AWARE HARD STATISTICAL DATA ON NORTH KOREA IS RARELY AVAILABLE. MOST BASIC INFORMATION (AGRICULTURAL AND INDUSTRIAL PRODUCTION, BUDGETS, POPULATION) IS NOT MENTIONED IN NORTH KOREAN MEDIA OR IS DEALT WITH IN VAGUE TERMS SUCH AS "BUMPER HARVEST" OR UNREVEALING PERCENTAGE INCREASES.

2. NEVERTHELESS, NORTH KOREA'S ECONOMY CONVEYS THE BASIC IMPRESSION OF DOING FAIRLY WELL ALTHOUGH PERHAPS BELOW GOALS OF SIX YEAR PLAN (1971-1976). ESTIMATES ON NORTH

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KOREAN GNP ARE THE EQUIVALENT OF \$5.3 BILLION IN 1972 (UP FROM \$4.3 IN 1970). DPRK REAL ECONOMIC GROWTH IS

PROBABLY 6 PERCENT ANNUALLY. AGRICULTURE DEFINITELY IMPROVED IN 1973 FOLLOWING VERY POOR PRODUCTION IN 1972. KIM IL SUNG'S NEW YEAR'S ADDRESS STRESSED THE NEED FOR GREATER EFFORT IN CONSTRUCTION (WHICH MAY BE LAGGING) AND RE-EMPHASIZED EXPANDING COAL PRODUCTION (POSSIBLY ALLUDING TO ENERGY SHORTAGES). IN LATE FEBRUARY PYONGYANG CLAIMED INCREASES IN 1973 INDUSTRIAL OUTPUT OF 19 PERCENT AND AN AVERAGE INDUSTRIAL GROWTH SINCE 1970 OF 17 PERCENT. THIS ANNOUNCEMENT REINFORCES IMPRESSION OF ECONOMIC SUCCESS IN 1973 AS PYONGYANG HAD AVOIDED SUCH STATEMENTS SINCE 1970.

3. ALTHOUGH THE NORTH'S CHUCHE (SELF RELIANCE) ECONOMY HAS BEEN RELATIVELY SUCCESSFUL IN DEVELOPING AN INDUSTRIAL STATE, CONSIDERABLY EXPANDED FOREIGN CREDITS HAVE BEEN NECESSARY TO MEET THE SIX YEAR PLAN'S INDUSTRIAL GOALS. PYONGYANG HAS BEEN PROFICIENT AT TAPPING BOTH THE USSR AND PRC BUT A SUBSTANTIAL PORTION OF ITS NEW CREDITS HAVE COME FROM WESTERN EUROPE AND JAPAN. BETWEEN 1970 AND EARLY 1973 NORTH KOREA OBTAINED CREDITS FROM WESTERN EUROPEAN GOVERNMENTS VALUED AT \$150 MILLION. SERIOUS NEGOTIATIONS CONTINUE IN EUROPE AND JAPAN FOR WHOLE PLANT PURCHASES TOTALING \$200 MILLION AND JAPAN HAS RECENTLY BEGUN APPROVING APPLICATIONS FOR EXPORT-IMPORT BANK CREDITS FOR NORTH KOREAN PURCHASES. THESE HEAVY FOREIGN COMMITMENTS LED TO A TRADE DEFICIT OF ABOUT \$475 MILLION IN 1971-1972 BUT DEBT SERVICING SHOULD NOT BECOME A PROBLEM UNTIL THE LATE 1970S.

4. DPRK LEADERSHIP CONTINUES TO CONCENTRATE EFFORTS ON DEVELOPING MOSTLY SELF SUFFICIENT INDUSTRIAL STATE AND PRODUCES A WIDE RANGE OF ITS OWN REQUIREMENTS IN GOOD QUALITY. NORTH KOREA PRODUCES MUCH OF ITS OWN BASIC MILITARY EQUIPMENT (EXCEPT FOR AIRCRAFT, ARMOR, MISSILES AND SOPHISTICATED ELECTRONICS) AND HAS AN EXTENSIVE NAVAL BUILDING PROGRAM. IN THE LAST SEVERAL YEARS HOWEVER PYONGYANG HAS BECOME MORE CONSCIOUS OF CONSUMER NEEDS AND APPARENTLY HAS DEVOTED A GREATER PERCENTAGE OF ITS RESOURCES TO FILLING POPULAR DEMAND.

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5. BEYOND THE GENERAL GUIDELINES IN THE RECENT CIRL, CERP AND EAL ON NORTH KOREA DEPARTMENT IS INTERESTED IN OBSERVATIONS ON SHIFTS IN NK PARTY LINEUP AS INDICATED IN THE FEBRUARY 8 ARMY DAY APPEARANCES; THE CURRENT STATE OF USSR-DPRK RELATIONS AND THE SOURCES OF DPRK OIL (CRUDE OR REFINED), E.G., IS THE USSR STILL THE MAJOR SUPPLIER?

6. DEPARTMENT APPRECIATES OPPORTUNITY TO GAIN INSIGHTS ON THE USUALLY CLOUDED NORTH KOREAN SCENE FROM USLO INITIATIVES. DEPARTMENT WILL POUCH WHATEVER INFO

AVAILABLE ON DETAILED STUDIES OF DPRK ECONOMY AND
POLITICAL/INTERNATIONAL ATTITUDES. CASEY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, ECONOMIC REPORTS, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 01 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE041983
Document Source: CORE
Document Unique ID: 00
Drafter: DTJONES
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740373/aaaacqcz.tel
Line Count: 117
Locator: TEXT ON-LINE
Office: ORIGIN INR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: PEKING 314
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2002 by elyme>; APPROVED <27 JAN 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TRAVELERS TO NORTH KOREA
TAGS: ECON, PINR, KN
To: PEKING
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005